

Algold Resources (ALG-V)

First Drill Results From Tijirit Project in Mauritania

August 17, 2016

Michael D. Curran, CFA

(416) 507-3950

mcurran@beaconsecurities.ca

Algold Resources controls land positions to the north and southeast of Kinross Gold's (K-TO, not covered, no rating) Tasiast gold mine in Mauritania, as well as early-staged exploration properties elsewhere in Mauritania and in Burkina Faso.

Tijirit Project – located some 30km southeast of the Tasiast gold mine, Algold acquired the property earlier this year from Gryphon Minerals (GRY-ASX, not covered, no rating). From the 40,000 metres of historical drilling, Algold recently reported a maiden resource estimate of **270Koz of gold** (M+I+I) within the three zones identified to date (see fig1).

Drill Result Takeaways: yesterday, the company reported initial assay results from the recently completed 10,000m Phase 1 drill programme.

1. **Positive Initial Results** – several high-grade intercepts (6m grading 4/10/16g/t gold) were encountered from the **Eleonore** zone, (smallest, but highest grade of the 3 zones). Additional drilling looks to have extended mineralization at the **Sophie** zone (3-12m grading 1-3g/t gold), and more high grade surface mineralization has been identified (including a 2,200g/t chip sample located 2km south of Sophie III).
2. **Phase 2 Go-Ahead:** the Phase 1 results were successful enough for Algold to approve a 10,000m Phase 2 drill programme that will focus on the Eleonore and Sophie II zones, as well as test additional targets.
3. **Fully Funded:** management believes it has sufficient funds on hand to complete the Phase 2 programme by the end of this year.

Update

Speculative BUY (unch) no target

Previous Close	\$0.36
12-month Target Price	n.a.
Potential Return	n.a.
Dividend Yield	0.0%
52 Week Price Range	Low High \$0.07 \$0.40

(C\$MM, except per unit)	Annual Estimates			
	FY15	FY16e	FY17e	FY18e
Revenue	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	-\$0.8	-\$1.7	-\$1.7	-\$1.7
Shares O/S (wgt avg)	54	100	125	185
EPS (operating)	-\$0.01	-\$0.02	-\$0.01	-\$0.01
CFPS	-\$0.01	-\$0.02	-\$0.01	-\$0.01

Valuation				
P/E	neg.	neg.	neg.	neg.
P/CF	neg.	neg.	neg.	neg.
NAV	-	-	-	-
P/NAV	-	-	-	-

Financials				
Shares Outstanding	116.8	million		
Mgt/Insiders	4%			
	(C\$MM)			
Market Cap	\$42.0			
LT Debt (corporate)	\$0.0			
Working Capital	\$7.5			
Enterprise Value	\$34.5			
Fiscal Year End	December 31			

Reserves / Resources				
2P Reserves	-			
M+I Resources	-			
Total Resources (M+I+I)	-	MMoz		

	Quarterly Estimates			
	Q1/15	Q2/15	Q3/15	Q4/15
EPS (operating)	-\$0.01	\$0.00	\$0.00	\$0.00
CFPS	-\$0.01	\$0.00	\$0.00	\$0.00
	Q1/16	Q2/16e	Q3/16e	Q4/16e
EPS (operating)	\$0.00	-\$0.01	\$0.00	-\$0.01
CFPS	\$0.00	-\$0.01	\$0.00	-\$0.01

Company at a Glance

Algold Resources is a mineral exploration company focused on a portfolio of properties in Mauritania, near Kinross Gold's Tasiast Gold Mine. **All prices in C\$ unless otherwise indicated.**

Stock Performance

ALGOLD RESOURCES LIMITED

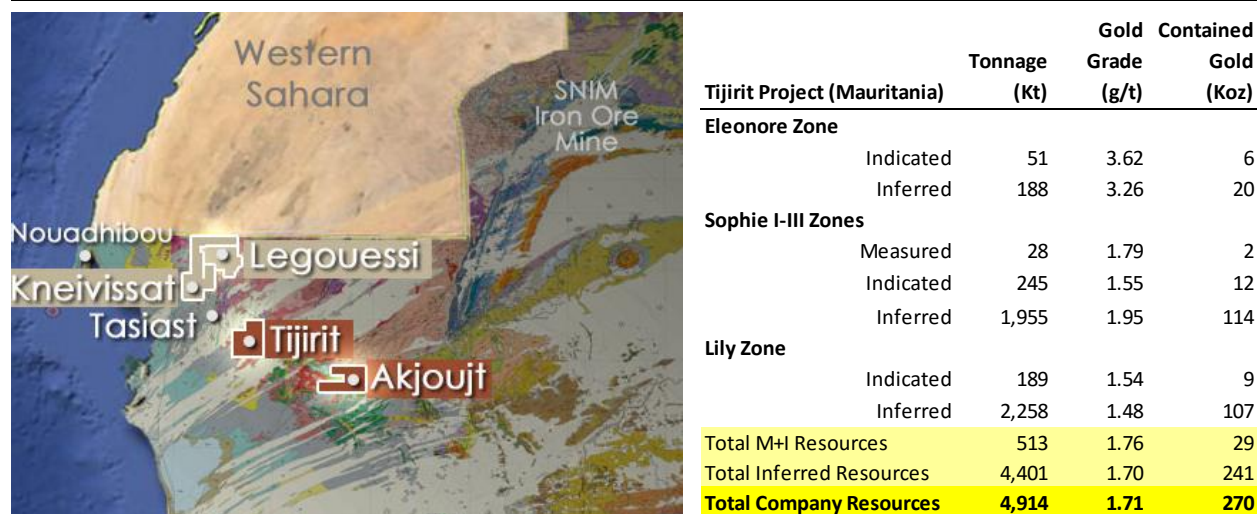


Investment Thesis...Prospective Ground With Motivated Buyer On Successful Exploration

We view Algold Resources as an attractive speculative play for exploration success in Mauritania. The company controls a large land position to the north and south of Kinross Gold's Tasiast gold mine (15MMoz of total gold resources, currently 250Koz/yr production). Several principals of the company were involved with building the Tasiast mine, thus have experience doing business in the country. Algold also holds gold properties in Burkina Faso, where management has ample experience (with SEMAFO).

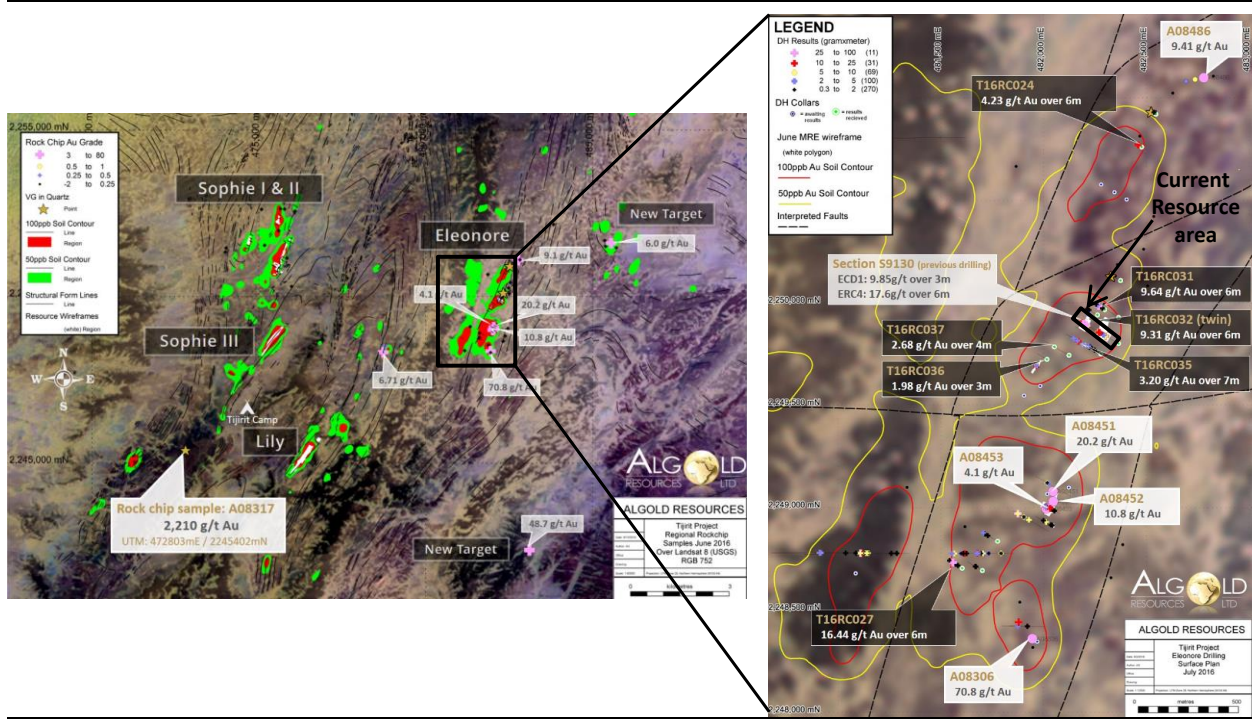
We maintain our view that any discovery in the region with grades above Tasiast (reserves are 8.2MMoz - 132MMt grading 1.9g/t gold) could be of interest to Kinross Gold. Earlier this year, Kinross Gold announced the go-ahead for the Phase 1 expansion of the Tasiast mine, increasing daily throughput from 8,000 to 12,000tpd, to achieve gold output of 400Koz/yr. Kinross also outlined the parameters of a Phase 2 expansion to take gold production to 777Koz/yr.

Fig 1 Mauritanian Properties: General Location Map (left) and Tijirit Resource (right)




Source: Company report

Fig 2 Tijirit Property Map: Surface Rock Samples (left) and Eleonore Zone Detail (right)



Source: Company report

Appendix : Summary Financials

Algold Resources				Beacon Securities Limited						
Symbol		ALG-V		Share Price		\$0.36				
Stock Rating		Speculative Buy		Shares O/S (MM)		116.8 Float (MM) 101.6				
Price Target		n.a.		Mkt Cap (\$MM)		42				
Michael Curran, CFA (416) 507-3950										
INCOME STATEMENT				Management		Other Directors				
		FY15	FY16e	FY17e						
Revenues	C\$MM	-	-	-	Francois Auclair	President/CEO/Director	John Hick			
Operating Costs	C\$MM	-	-	-	Benoit La Salle	Chairman	Mario Caron			
EBITDA	C\$MM	(0.8)	(1.7)	(1.7)	Yves Grou	Exec. Vice-Chairman	Salma Seetaroo			
DD&A	C\$MM	-	-	-	Dejan Ristic	CFO	Mary Batoff			
EBIT	C\$MM	(0.8)	(1.7)	(1.7)	Andre Ciesielski	Sr. Technical Consultant	Darin Milmeister			
Interest Expense	C\$MM	-	-	-	Options (MM)	Avg. Price	Warrants (MM)			
EBT	C\$MM	(1.0)	(1.5)	(1.5)	5.1	\$0.23	16.5			
Taxes/Recovery	C\$MM	-	-	-			\$0.30			
Net Income (reported)	C\$MM	(0.8)	(1.7)	(1.7)	Recent Financings					
Non-Recurring Items/Other	C\$MM	(0.1)	0.2	0.2	Date	Amount	Price	Type	Warrant	Expiry
Net Income (operating)	C\$MM	(0.7)	(1.5)	(1.5)	APR-2016	\$3.5	\$0.10	non-brokered	\$0.15	APR-2018
Shares o/s (wgt avg.)	MM	53.7	100.0	125.0	JUN-2015	\$2.5	\$0.22	brokered/non-brok	\$0.30	DEC-2016
EPS (operating)	\$/sh	(\$0.01)	(\$0.02)	(\$0.01)	FEB-2015	\$0.4	\$0.20	non-brokered	\$0.25	AUG-2016
P/E Multiple	x	n.m.	n.m.	n.m.						
Cash Flow (operating)	C\$MM	(0.7)	(1.5)	(1.5)						
CFPS	\$/sh	(\$0.01)	(\$0.02)	(\$0.01)						
P/CF Multiple	x	n.m.	n.m.	n.m.						
BALANCE SHEET										
Cash & Equivalents	C\$MM	1.1	0.8	2.3						
Total Current Assets	C\$MM	1.2	0.9	2.4						
PP&E & Mining Interests	C\$MM	6.9	9.6	11.5						
Other	C\$MM	0.1	0.1	0.1						
Total Assets	C\$MM	8.2	10.6	14.0						
Current Liabilities	C\$MM	0.8	0.8	0.8						
Long Term Debt	C\$MM	-	-	-						
Other LT Liabilities	C\$MM	0.2	0.2	0.2						
Total Liabilities	C\$MM	0.9	0.9	0.9						
S/Holder Equity	C\$MM	6.9	9.3	12.6						
Total Liab. & S/Holder Equity	C\$MM	8.2	10.6	13.9						
Working Capital	C\$MM	0.4	0.2	1.6						

Source: Company reports, Beacon estimates

Disclosure Requirements

Does Beacon, or its affiliates or analysts collectively, beneficially own 1% or more of any class of the issuer's equity securities? Yes No

Does the analyst who prepared this research report have a position, either long or short, in any of the issuer's securities? Yes No

Does Beacon Securities beneficially own more than 1% of equity securities of the issuer? Yes No

Has any director, partner, or officer of Beacon Securities, or the analyst involved in the preparation of the research report, received remuneration for any services provided to the securities issuer during the preceding 12 months?
 Yes No

Has Beacon Securities performed investment banking services in the past 12 months and received compensation for investment banking services for this issuer in the past 12 months? Yes No

Was the analyst who prepared this research report compensated from revenues generated solely by the Beacon Securities Investment Banking Department? Yes No

Does any director, officer, or employee of Beacon Securities serve as a director, officer, or in any advisory capacity to the issuer? Yes No

Are there any material conflicts of interest with Beacon Securities or the analyst who prepared the report and the issuer? Yes No

Is Beacon Securities a market maker in the equity of the issuer? Yes No

Has the analyst visited the head office of the issuer and viewed its operations in a limited context? Yes No

Did the issuer pay for or reimburse the analyst for the travel expenses? Yes No

All information contained herein has been collected and compiled by Beacon Securities Limited, an independently owned and operated member of the Investment Industry Regulatory Organization of Canada (IIROC). All facts and statistical data have been obtained or ascertained from sources, which we believe to be reliable, but are not warranted as accurate or complete.

All projections and estimates are the expressed opinion of Beacon Securities Limited, and are subject to change without notice. Beacon Securities Limited takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell securities discussed herein. Based on their volatility, income structure, or eligibility for sale, the securities mentioned herein may not be suitable or available for all investors in all countries.

As at July 31, 2016	# Stocks	Distribution
Buy	56	66%
Speculative BUY	14	16%
Hold	5	6%
Sell	0	0%
Under Review	10	12%
Total	85	100%

Buy Total 12-month return expected to be >15%
 Speculative Buy Potential total 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return expected to be between 0% and 15%
 Sell Total 12-month return expected to be negative

Dissemination

Beacon Securities distributes its research products simultaneously, via email, to its authorized client base. All research is then available on www.beaconsecurities.ca via login and password.

Analyst Certification

The Beacon Securities Analyst named on the report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of the report; or any other companies mentioned in the report that are also covered by the named analyst. In addition, no part of the research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.